

II) IN THE CLAIMS:

1. (Presently amended) A method of operating a reward system in conjunction with a computer network, the computer network interconnected to at least one issuing bank computer operated by an issuing bank that issues a token to a user, said token comprising a user payment account ID for a user payment account at the issuing bank computer that is used to pay for purchase transactions, the method comprising:
 - a. providing a reward account database in a central reward server computer that interoperates with the computer network, the reward account database storing (i) a first user reward account for transactions between the user and a first merchant and (ii) a second user reward account for transactions between the user and a second merchant, both the first user reward account and the second user reward account being identified with the user payment account ID;
 - b. a user executing a first transaction with the first merchant by presenting the token to the first merchant for payment of at least part of the first transaction;
 - c. a first merchant computer operated by the first merchant transmitting a first instruction to the central reward server computer to add a first set of rewards to the first user reward account using an identification of the first merchant and the user payment account ID;
 - d. the user executing a second transaction with the second merchant by presenting the token to the

second merchant for payment of at least part of the second transaction;~~and~~

e. a second merchant computer operated by the second merchant transmitting a second instruction to the central reward server computer to add a second set of rewards to the second user reward account using an identification of the second merchant and the user payment account ID;

f. establishing a user reward exchange account on the central reward server computer;

g. a user computer operated by the user providing instructions to the central reward server computer for selecting rewards from the first user reward account and from the second user reward account for exchange into the user reward exchange account; and

h. the central reward server compute exchanging, in response to said instructions, the selected rewards from the first user reward account and the second user reward account into the user reward point exchange account.

2. (Previously presented) The method of claim 1 further comprising the step of redeeming rewards by the steps of

the user executing a reward redemption transaction with a redeeming merchant;

the user utilizing rewards from the first user reward account for the reward redemption transaction;

a redeeming merchant computer operated by the redeeming merchant transmitting a redemption

instruction to the central reward server computer to reduce the first user reward account by the amount of rewards used in the transaction.

3. (Cancelled).

4. (Presently amended) The method of claim 13 further comprising the step of redeeming exchanged rewards from the user reward exchange account by the steps of

- the user executing an exchange reward redemption transaction with a redeeming merchant;
- the user utilizing exchanged rewards from the user reward exchange account for the exchange reward redemption transaction;
- the user reward exchange account being reduced by the number of exchange rewards utilized for the exchange reward redemption transaction.

5. (Presently amended) The method of claim 13 comprising the further steps of:

- establishing a cluster of independently operating merchants, each of which have user reward accounts established with the reward account database in the central reward server computer;
- allowing exchange of rewards from each of the independently operating merchants in the cluster into the user reward exchange account; and
- disallowing exchange of rewards from a merchant not a member of the cluster.

6. (Previously presented) The method of claim 5 comprising the further step of allowing for redemption of exchanged rewards only with redeeming merchants that are members of the cluster.

7-20 (Cancelled).

21. (Previously presented) The method of claim 2 wherein the user executes the reward redemption transaction completely with rewards from the first user reward account.

22. (Previously presented) The method of claim 2 wherein the user executes the reward redemption transaction partially with rewards from the first user reward account and partially with other consideration.

23. (Presently amended) A reward system comprising:

an issuing bank computer, interoperable with a computer network and operated by an issuing bank, that issues a token to a user, said token comprising a user payment account ID for a user payment account that is used to pay for purchase transactions;

a first merchant computer interoperable with the computer network and operated by a first merchant;

a second merchant computer interoperable with the computer network and operated by a second merchant;

a central reward server computer interoperable with the computer network and comprising a reward account database comprising (i) a first user reward account for storing rewards for transactions between the user and the first merchant and (ii) a second user reward account for

storing rewards for transactions between the user and the second merchant, both the first user reward account and the second user reward account being identified with the user payment account ID,

wherein the first merchant computer is adapted to transmit via the computer network, as part of a first transaction executed with the user during which the user presents the token to the first merchant for payment of at least part of the first transaction, a first instruction to the central reward server computer to add a first set of rewards to the first user reward account using an identification of the first merchant and the user payment account ID; and

wherein the second transacting merchant computer is adapted to transmit via the computer network, as part of a second transaction executed with the user during which the user presents the token to the second merchant for payment of at least part of the second transaction, a second instruction to the central reward server computer to add a second set of rewards to the second user reward account using an identification of the second merchant and the user payment account ID,

wherein the central reward server computer (A) further comprises a user reward exchange account and (B) is programmed to (i) receive instructions from a user computer operated by the user that designate the selection of rewards from the first user reward account and the second user reward account for exchange into the user reward exchange account, and (ii) exchange, in accordance with the instructions received from the user computer, the selected rewards into the user reward exchange account.

24. (Cancelled).